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TO: Audit Committee

FROM: Maria M. Oms 
Assistant Auditor-Controller

SUBJECT: **BOARD POLICY 5.100 - SOLE SOURCE SERVICE CONTRACTS**

At your request, we reviewed the process for approving County department sole source service contracts. The purpose of our review was to determine if there is appropriate review of the contracts. We discussed the contracting process with Chief Administrative Office (CAO) and Internal Services Department (ISD) staff.

Based on our review, it appears that the County has adequate oversight for sole source service contracts. Specifically:

- County departments are authorized to enter into sole source service contracts up to \$5,000, the same delegated authority most departments have for all other purchases. Some departments have \$15,000 in delegated authority for other purchases. However, \$5,000 is the limit for all departments for sole source contracts.
- ISD, as the County's Purchasing Agent, processes sole source service contracts between \$5,000 and \$100,000. ISD purchasing staff review sole source requests to determine whether there are adequate justifications for the sole source purchases. Sole source requests are reviewed and approved by two levels of ISD Purchasing Managers. ISD also submits a monthly report to the Board on all sole source purchases they process. The report includes the vendor name, the requesting department, contract amount and the sole source justification.
- CAO budget analysts review departments' justifications for any sole source service contract in excess of \$100,000, the dollar amount for any contract to require Board approval. As part of this practice, CAO staff determine whether the departments' sole source justifications are adequate.

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In addition, Board Policy 5.100 requires departments to give the Board and CAO at least two weeks written notice before negotiating a sole source service contract of \$250,000 or more.

Based on our review, it appears sole source service contracts are subject to the same level of oversight as other County purchases; contracts up to \$5,000 are approved by departments, contracts from \$5,000 to \$100,000 are reviewed and approved by ISD, and contracts over \$100,000 are reviewed by the CAO and approved by the Board.

Please call if you have any questions, or your staff may contact Jim Schneiderman at (626) 293-1101.

MMO:JLS:AA

c: David E. Janssen, Chief Administrative Officer
Dave Lambertson, Director, ISD